

Message Text

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ACTION ARA-14

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TO SECSTATE WASHDC IMMEDIATE 9659

INFO AMCONSUL VANCOUVER IMMEDIATE

C O N F I D E N T I A L LIMA 3364

VANCOUVER FOR ARELLANO AND NACHMANOFF

E.O. 11652: GDS

TAGS: EFIN FR TU PE CG

SUBJ: MISUNDERSTANDING BETWEEN THE GOP AND THE IDB

REF: LIMA 3300

SUMMARY: IDB REPS EXPLAINED TO US A MISUNDERSTANDING WITH THE GOP. IDB IS OFFERING TO FACILITATE BILATERAL OR OTHER IN-FORMAL DISCUSSIONS BUT IS NOT PLANNING TO HOST A DEBT RESCHEDULING NEGOTIATION. THE IDB REPS ARE DISCOURAGED BY THE CONFUSION AND DRIFT IN GOP ECONOMIC POLICY. END SUMMARY.

1. IDB OFFICIAL OSCAR AYALA AND LOCAL REP MANUEL VALDERRAMA PAID A CALL ON THE AMBASSADOR APRIL 18 TO BRIEF US ON THEIR TALKS WITH THE GOP. ACCORDING TO AYALA THERE HAS BEEN CONSIDERABLE CONFUSION IN CONVERSATIONS BETWEEN THE GOP AND THE IDB. THE IDB OFFERED ITS GOOD SERVICES TO FACILITATE CONTACTS BETWEEN THE GOP AND CREDITOR COUNTRIES. THIS WOULD CONSIST PRIMARILY OF BILATERAL DISCUSSIONS, AND PERHAPS SOME FORM OF GROUP MEETING, BUT IT WAS CERTAINLY NOT REPEAT NOT THE INTENTION OF THE IDB TO TRY TO TAKE ON FUNCTIONS NORMALLY CARRIED OUT BY OTHER INSTITUTIONS, SUCH

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AS THE WORLD BANK CONSULTATIVE GROUP, THE PARIS CLUB, OR THE IMF. IT APPEARS FONMIN SAENZ WAS PLANNING TO GO TO VANCOUVER TO ATTEND A DEBT RESCHEDULING MEETING ORGANIZED BY THE IDB AND THEN CANCELLED HIS TRIP AT THE LAST MINUTE WHEN HE REALIZED THAT NO SUCH MEETING WAS IN THE OFFING (SEE REFTEL).

2. IT ALSO APPEARS, ACCORDING TO AYALA, THAT THE IMF HAS ADVISED THE GOP TO HOLD OFF ON A SAENZ VISIT TO WITTEVEEN IN WASHINGTON UNTIL STAFF LEVEL DISCUSSIONS HAVE PROCEEDED FURTHER. HOWEVER, CENTRAL BANK GOVERNOR DE LA MELENA IS PLANNING TO PROCEED TO WASHINGTON FROM VANCOUVER TO ASSIST IN THIS PROCESS.

3. AYALA WAS VERY CONCERNED ABOUT THE LACK OF COORDINATION WITHIN THE GOP AND ITS INABILITY TO TAKE DECISIONS. HE EXPLAINED THAT HE HEARD DIFFERENT STORIES FROM THE FINANCE MINISTRY AND THE GOVERNMENT PLANNING INSTITUTE, AND THAT THE FINANCE MINISTRY WAS NOT EVEN AWARE OF THE COMMUNICATIONS THAT HAD BEEN EXCHANGED BETWEEN THE GOP AND THE IDB. HE TOLD US THAT THE IDB WAS PLANNING TO FUND THE SERVICES OF TWO OUTSIDE CONSULTANTS TO ASSIST THE GOP IN SORTING OUT ITS INVESTMENT PRIORITIES, BUT THAT THIS WAS ONLY ONE SMALL PIECE OF THE OVERALL CONFUSION. HE CONCLUDED THAT PERU WAS DRIFTING TOWARD DEFAULT AND NOBODY SEEMS TO BE DOING ANYTHING ABOUT IT.

4. COMMENT: THIS ACCOUNT OF THE STATE OF CONFUSION AND DRIFT IN PERUVIAN ECONOMIC POLICY CONFIRMS OUR RECENT REPORTING ON THE SITUATION. THE MISUNDERSTANDING WITH THE IDB IS ONE FURTHER EXAMPLE WHICH MAY HOWEVER HAVE BEEN COMPLICATED BY LACK OF CLARITY BY ORTIZ MENA OF THE IDB.

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